DOCUMENT RESUME

ED 465 384 JC 020 408

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| AUTHOR | Alwin, Lawrence F. |
| TITLE | An Audit on Community and Technical Colleges Enrollment Reporting. |
| INSTITUTION | Texas State Auditor's Office, Austin. |
| REPORT NO | SAO-00-027 |
| PUB DATE | 2000-04-24 |
| NOTE | 10p. |
| AVAILABLE FROM | For full text: http://www.sao.state.tx.us. |
| PUB TYPE | Reports - Descriptive (141) |
| EDRS PRICE | MF01/PC01 Plus Postage. |
| DESCRIPTORS | *Audits (Verification); *Community Colleges; Educational Economics; *Enrollment; Enrollment Management; *Enrollment Rate; *Resource Allocation; School Funds; State Aid; State Standards; *Technical Institutes; Two Year Colleges |
| IDENTIFIERS | *Texas |

ABSTRACT

The objective of this biennial enrollment audit is to determine that Texas' community and technical colleges are in compliance with the Coordinating Board rules and regulations, the general provisions of the General Appropriations Act, and the provisions of the Texas Education Code for the purpose of receiving state appropriations. Compliance is determined by examining the accuracy of enrollment data submitted by the colleges, helping to ensure that these colleges receive only those appropriations to which they are entitled. Any excess over the allowable 2% error may be returned to the State's General Revenue Fund. Past and present audit results indicate that the colleges consistently maintain an error rate much lower than 2%. This audit identified a total of more than $2.5 million in errors in 1999 through audit testing, colleges' self-reported errors, and errors in colleges' Spring 1999 estimates. Eleven colleges overestimated Spring 1999 semester contact hours by a total of $121,829, and 29 colleges underestimated their spring semester contact hours by a total of $353,354. The State Auditor's Office recommended no adjustments to the colleges' 2000-2001 appropriations because the errors were well within the 2% range. The audit was conducted using statistical sampling, reviewing self-reported corrections, and determining the amount of funds appropriated due to inaccurate spring semester estimates. (NB)

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# An Audit on Community and Technical Colleges Enrollment Reporting

April 24, 2000

Members of the Legislative Audit Committee:

Overall, the 50 public community college districts and 7 technical colleges (colleges) continue to report enrollment data in compliance with reporting requirements for the purpose of receiving state appropriations. Collectively, these colleges receive more than $1.6 billion in state appropriations. For the audit period (Summer 1998, Fall 1998, and Spring 1999) the total funding associated with identified enrollment errors was well within the tolerance range of 2 percent of total appropriations.

The audit identified a total of more than $2.5 million ($2,057,762 over- and $452,121 under-reported) in errors through audit testing, colleges' self-reported errors, and errors in colleges' Spring 1999 estimates. In the case of the Spring 1999 estimate errors, the Higher Education Coordinating Board (Coordinating Board) will adjust overestimated funds, in accordance with the General Appropriations Act, Article III-188.7.

## Audit Testing and Self-Reported Errors

Because the errors identified through audit testing and the colleges' self-reporting are well within the 2 percent tolerance range, we recommend no adjustments to the colleges' 2000-2001 appropriations. The colleges collectively could have had more than $31 million in total errors yet still have remained under the 2 percent tolerance range.

We performed audit testing at 6 of the 57 colleges. Section 1-B of the attachment lists the colleges we audited.

## Spring 1999 Estimated Errors

For Spring 1999, collectively, the colleges overestimated spring semester contact hours by a total of $121,829 and underestimated spring semester contact hours by a total of $353,354. According to the General Appropriations Act, Article III-188.7, "Adjustments shall be made to adjust estimated contact hours to actual certified contact hours even if the total error rate is less than 2 percent." Colleges under-funded for Spring 1999 are subject to receive a prorated distribution adjustment of approximately 35 cents on the dollar from the total over-funded hours recovered.

We thank the colleges' management and staff for their cooperation and assistance during the audit. If you have any questions, please contact Dick Dinan, Audit Manager, at (512) 479-4700.

Sincerely,

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Section 1:

## Self-Reported Errors and Audit Findings Do Not Exceed Allowable Error Rate

Current legislation allows colleges a 2 percent error rate for audit findings and the colleges' self-reported errors combined. The allowable error rate is calculated by multiplying each college's 2000-2001 total biennial state appropriations by 2 percent per the General Appropriation Act of the 76th Legislature, Article III-188.7. Two percent of the total amount of funding for all 57 colleges comes to more than $31 million. All but one college had an error rate well below 1 percent. The audit findings and the colleges' self-reported errors totaled $1,935,932 in overstatements and $98,767 in understatements.

Section 1-A:

### Results of Self-Reported Errors Do Not Exceed Allowable Error Rate

The 46 colleges that self-reported errors were below the 2 percent tolerance amount; 11 colleges (19 percent) reported that they had no enrollment data reporting errors. Four colleges, each claiming more than $100,000 in over-funding, accounted for approximately $1.1 million or 58 percent of total over-funding. Three of these four colleges were included for audit testing of their enrollment data as described below.

Table 1 on the following page shows the amounts associated with each college's self-reported errors. These errors were reported to the State Auditor prior to audit testing as part of the audit process.

Only 7 percent (three colleges) of the colleges with over-reporting errors reported an error rate greater than one half of 1 percent (0.5 percent) of their total funding. However, these three colleges accounted for 30 percent of the over-reported funds, or $575,543.

For each self-reported error, the colleges included course identification information, the semester in which the class was offered, the number of contact hours reported for the class, the reason for the error, and whether the contact hours were over-reported or under-reported. To determine the appropriation dollar associated with the error, we identified the appropriate funding amount for each error and applied it to the contact hours reported. We did not audit the colleges' self-reported errors.

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Table 1

**Self-Reported Enrollment Errors of Community and Technical Colleges**

| College/District | 2 Percent Allowable Error Amount | Biennium (Over) and Under Self-Reported Error Amount | Self-Reported Error as a Percentage of Total Biennium Appropriation |
|---|---|---|---|
| **Over-Reporting Colleges** | | | |
| South Texas Community College | $ 682,174 | $ (370,283) | 1.09% |
| Southwest Texas Junior College | 246,027 | (87,011) | 0.71% |
| Howard County Junior College | 390,895 | (118,249) | 0.61% |
| Dallas County Community College District | 3,129,977 | (503,633) | 0.32% |
| Grayson County College | 248,702 | (32,270) | 0.26% |
| Weatherford College | 195,483 | (19,926) | 0.20% |
| Angelina College | 302,546 | (27,088) | 0.18% |
| Texas State Technical College-Harlingen | 420,561 | (35,598) | 0.17% |
| South Plains College | 499,971 | (31,504) | 0.13% |
| Brazosport College | 212,794 | (13,031) | 0.12% |
| McLennan Community College | 463,837 | (27,744) | 0.12% |
| Alamo Community College District | 2,171,046 | (128,907) | 0.12% |
| Amarillo College | 635,620 | (33,016) | 0.10% |
| Odessa College | 350,747 | (17,515) | 0.10% |
| Tyler Junior College | 610,599 | (28,460) | 0.09% |
| Collin County Community College District | 730,960 | (33,973) | 0.09% |
| Texarkana College | 340,531 | (15,409) | 0.09% |
| Blinn College | 731,545 | (31,827) | 0.09% |
| Del Mar College | 734,110 | (28,937) | 0.08% |
| San Jacinto College District | 1,285,761 | (43,810) | 0.07% |
| Houston Community College System | 2,432,868 | (80,292) | 0.07% |
| El Paso County Community College District | 1,321,256 | (42,927) | 0.06% |
| Trinity Valley Community College | 388,858 | (12,207) | 0.06% |
| Austin Community College | 1,444,443 | (44,690) | 0.06% |
| North Central Texas Community College District | 242,964 | (7,285) | 0.06% |
| Wharton County Junior College | 312,447 | (9,127) | 0.06% |
| Temple Junior College | 223,221 | (5,608) | 0.05% |
| Frank Phillips College | 96,860 | (2,430) | 0.05% |
| Lamar Institute of Technology | 215,758 | (5,376) | 0.05% |
| Lee College | 446,514 | (10,656) | 0.05% |
| Vernon Regional Junior College | 198,693 | (4,410) | 0.04% |
| Texas State Technical College-Waco | 647,901 | (13,517) | 0.04% |
| College of the Mainland | 254,559 | (4,971) | 0.04% |
| Tarrant County Junior College District | 1,556,627 | (27,906) | 0.04% |
| Coastal Bend College | 271,504 | (3,863) | 0.03% |
| Kilgore College | 388,394 | (3,844) | 0.02% |
| Central Texas College District | 709,996 | (6,281) | 0.02% |
| North Harris Montgomery College District | $ 1,300,369 | $ (11,171) | 0.02% |

| Self-Reported Enrollment Errors of Community and Technical Colleges | | | |
|---|---|---|---|
| College/District | 2 Percent Allowable Error Amount | Biennium (Over) and Under Self-Reported Error Amount | Self-Reported Error as a Percentage of Total Biennium Appropriation |
| Cisco Junior College | $ 172,492 | $ (1,383) | 0.02% |
| Ranger College | 85,000 | (673) | 0.02% |
| Alvin Community College | 310,749 | (3,759) | 0.02% |
| The Victoria College | 288,312 | (673) | 0.00% |
| Navarro College | 287,029 | (652) | 0.00% |
| Lamar State College - Orange | 98,721 | (197) | 0.00% |
| **Under-Reporting Colleges** | | | |
| Northeast Texas Community College | $ 154,544 | $ 12,430 | 0.16% |
| Texas State Technical College-Sweetwater | $ 202,170 | $ 66,972 | 0.66% |
| **Colleges Reporting Zero Errors** | | | |
| Clarendon College | $ 85,000 | Reported Zero Errors | Reported Zero Errors |
| Galveston College | 179,016 | Reported Zero Errors | Reported Zero Errors |
| Hill College | 199,460 | Reported Zero Errors | Reported Zero Errors |
| Lamar State College - Port Arthur | 184,178 | Reported Zero Errors | Reported Zero Errors |
| Laredo Community College | 513,569 | Reported Zero Errors | Reported Zero Errors |
| Midland College | 337,569 | Reported Zero Errors | Reported Zero Errors |
| Panola College | 144,553 | Reported Zero Errors | Reported Zero Errors |
| Paris Junior College | 270,754 | Reported Zero Errors | Reported Zero Errors |
| Texas Southmost College | 472,117 | Reported Zero Errors | Reported Zero Errors |
| Texas State Technical College-Marshall | 69,687 | Reported Zero Errors | Reported Zero Errors |
| Western Texas College | 111,437 | Reported Zero Errors | Reported Zero Errors |
| **Totals** | **$ 31,003,475** | **$ (1,932,089)/ $79,402** | |
| Source: State Auditor s Office analysis of the unaudited self-reported error data submitted by the individual colleges. | | | |

Section 1-B

## Results of Audit Testing Do Not Exceed Allowable Error Rate

The colleges report contact hours to the Coordinating Board in the CBM-004 Class Report, CBM-00C Quarterly Class Report, and CBM-001 Student Report. All 57 community and technical colleges are subject to having the contact hours reported on their CBM reports audited for compliance with state statutes, General Appropriations Act riders, and the Coordinating Board's rules and regulations.

Based on a risk assessment process that considered several risk factors, the State Auditor's Office selected the following six colleges for audit testing of contact hour data:

- Alamo Community College District
- Dallas County Community College District
- Houston Community College System

to calculate funding for the 2000-2001 biennium, which includes the Summer 1998, Fall 1998, and Spring 1999 sessions.

## Methodology

Community College Enrollment Audit methodology includes:

- Using statistical sampling to test the accuracy of the contact hours used in calculating appropriations
- Reviewing self-reported corrections provided by the colleges and calculating the dollar impact on appropriations
- Determining the amount of funds appropriated due to inaccurate spring semester estimates

It would not be cost effective to perform a 100 percent audit of all contact hour data. For this reason, statistical sampling is used to estimate the accuracy of the total population of contact hours submitted by a college for funding. Statistical sampling procedures provide unbiased estimates of contact hours that are improperly reported to within specified limits, with high and quantifiable probability.

Since the audit sample is drawn from certified data and there is no other means for the colleges to make corrections to enrollment data after the data is certified to the Coordinating Board, colleges are encouraged to self-report known errors in certified data prior to audit testing.

Disclosing known instances of noncompliance is usually to the college's benefit. The process of self-reporting known errors in the data by colleges allows them to avoid more significant penalties for errors since the dollar amount associated with the self-reported item is based on the appropriation the college received for reporting those specific contact hours. On the other hand, when errors are found during audit testing, these errors are projected to the total appropriation dollars for all contact hours and make a substantially greater impact on the college's enrollment funding.

- Kilgore College
- North Harris Montgomery Community College District
- South Texas Community College

Although errors were identified as a result of our audit testing, none of these errors, even when combined with the colleges' self-reported errors, exceeded the allowable 2 percent tolerance limit.

In addition to testing contact hour data at the colleges audited, we identified weaknesses in the colleges' contact hour reporting processes and suggested ways to improve the accuracy of the CBM reports submitted to the Coordinating Board. These suggestions typically covered the following areas:

- Strengthening written policies and procedures for the reporting process
- Documenting administrative changes to contact hour data maintained electronically
- Monitoring the accuracy of automated calculations and transactions

Five of the six colleges we audited were in the midst of, or just completing, computer conversions and updates. Because of the timeliness of our visits, they were able to incorporate our recommended changes into their new systems.

Section 2:

## Error Calculations for 1999 Spring Semester Adjustments Have Been Reported to the Coordinating Board

Eleven colleges overestimated Spring 1999 semester contact hours by a total of $121,829, and 29 colleges underestimated their spring semester contact hours by a total of $353,354 (see Table 2). This equals a prorated distribution adjustment of approximately 35 cents on the dollar to under-funded colleges. The difference between the "funded" (based on initial estimates) and the "certified" amounts was much smaller this year than it has been in previous years because the colleges were able to update reported enrollment data until the middle of April rather than the normal deadline in March. Therefore many (21) of the colleges were able to certify actual spring contact hours prior to the final calculation.

Appropriations are calculated using the number of contact hours taught during the base period of Summer 1998, Fall 1998, and Spring 1999. When "formula" contact hour appropriations are established by the Legislature, actual certified contact hours are used for funding all terms in the base period with the exception of the Spring 1999 term. The hours used for funding the Spring 1999 term are estimated. Colleges usually complete the certification process by finalizing their actual spring contact hours after the Legislature establishes appropriation amounts.

Once the Coordinating Board receives certification of the spring contact hours, an adjustment is calculated for the difference between the "estimated" amount and the "certified" amount.

The General Appropriations Act, Article III-188.7, provides that, "The total amount that is reduced from colleges which have overstated base period contact hours shall be redistributed to those colleges which have understated base period contact hours to the extent of such understatement.... Adjustments shall be made to adjust estimated contact hours to actual certified contact hours, even if the total error rate is less than two percent." The State Auditor's Office performed adjustment calculations in Table 2 using unaudited contact hour and funding rate data provided by the Coordinating Board.

Table 2

**1999 Spring Semester Estimates Adjustment Calculations for Colleges With Variances**

| College/District Name | Under Report | Over Report |
|---|---|---|
| Alamo Community College District | $ 36,308 | |
| Alvin Community College | 6,596 | |
| Amarillo College | 1,273 | |
| Angelina College | | $ 33,582 |
| Austin Community College | | 10,317 |
| Clarendon College | 382 | |
| College of the Mainland | | 7,026 |
| Dallas County Community College District | 528 | |
| Del Mar College | 1,407 | |
| El Paso County Community College District | | 11,160 |
| Frank Phillips College | 82 | |
| Galveston College | 1,120 | |
| Hill College | 82 | |
| Houston Community College System | | 6,120 |
| Howard County Junior College District | 8,813 | |
| Kilgore College | 86,512 | |
| Lamar Institute of Technology | 43 | |
| Lamar State College at Port Arthur | | 5,922 |
| Lee College | 780 | |
| Midland College | | 2,771 |
| Navarro College | 743 | |
| North Central Texas Community College District | | 36,375 |
| North Harris Montgomery College District | 162,574 | |
| Odessa College | 1,078 | |
| Paris Junior College | 5,772 | |
| San Jacinto College District | 3,408 | |
| South Plains College | 1,618 | |
| South Texas Community College | | 337 |



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| 1999 Spring Semester Estimates Adjustment Calculations for Colleges With Variances | | |
|---|---|---|
| **College/District Name** | **Under Report** | **Over Report** |
| Tarrant County Junior College District | $ 4,417 | |
| Temple College | 186 | |
| Texarkana College | 16,526 | |
| Texas Southmost College | | $ 3,806 |
| Texas State Technical College at Brownwood | 246 | |
| The Victoria College | 356 | |
| Trinity Valley Community College | 5,824 | |
| Tyler Junior College | 3,378 | |
| Vernon Regional Junior College | | 4,414 |
| Weatherford College | 1,068 | |
| Western Texas College | 720 | |
| Wharton County Junior College | 1,514 | |
| **Total** | **$ 353,354** | **$ 121,829** |

Source: State Auditor s Office adjustment calculations using unaudited contact hour and funding rate data provided by the Higher Education Coordinating Board.

Section 3:

## Overview of the Biennial Enrollment Audit

The General Appropriations Act includes a rider directing the State Auditor to audit the accuracy of the contact hours submitted by the colleges to the Coordinating Board.

Generally, the colleges are governed by locally elected boards that have the authority to levy property taxes in their districts to support the colleges. In addition, colleges receive state funding based on the number of instructional contact hours they provide. The Legislature then determines each college's biennial appropriation based on the amount of contact hours reported in the base period. These appropriations provide funds to support administrative and instructional services for post-secondary academic and vocational/technical and continuing education.

To qualify for state funding, these colleges are required to comply with the Coordinating Board Rules and Regulations found in the Texas Administrative Code; riders in the General Appropriation Act, Article III; and provisions of the Texas Education Code.

The State Auditor consults with the Coordinating Board, the Legislative Budget Board, and the Texas Association of Community Colleges to develop the audit scope and identify relevant issues that may warrant audit attention. For this audit, it was agreed that due to historically low error rates, coupled with internal reviews by the colleges, testing the accuracy of contact hour data at selected colleges would be sufficient to help maintain the past high level of reporting accuracy.



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In 1997 the Legislature began allowing colleges a maximum reporting error rate of 2 percent of their biennial appropriations. This led the State Auditor's Office to select only a sample of colleges for testing based on an assessment of risk. As a result, the importance of self-monitoring by the colleges has increased. Based on our risk assessment, the State Auditor's Office selected 6 of the 57 community and technical colleges for testing. We will reassess risk each biennium to determine the level of audit work to be performed in the future.

## Objective, Scope, and Methodology

### Objective

The objective of the biennial enrollment audit is to determine that community and technical colleges are in compliance with the Coordinating Board rules and regulations, the general provisions of the General Appropriations Act, and the provisions of the Texas Education Code for the purpose of receiving state appropriations.

Compliance is determined by examining the accuracy of enrollment data submitted by the colleges, helping to ensure that these colleges receive only those appropriations to which they are entitled. Any excess over the allowable 2 percent error amount may be returned to the State's General Revenue Fund. Past and present audit results indicate that the colleges consistently maintain an error rate much lower than 2 percent.

### Scope

The scope of this audit focuses on the accuracy of contact hours used to allocate appropriations to each college. Contact hours are reported to the Coordinating Board in the CBM-004 Class Report, CBM-00C Quarterly Class Report, and CBM-001 Student Report.

All colleges that receive contact hour funding appropriations are subject to audit for compliance with state statutes, General Appropriations Act riders, and the Coordinating Board's rules and regulations. This year's audit procedures at the colleges selected for audit concentrated on testing accuracy in the following areas:

- Class size
- Admissions
- Residency
- Tuition Exemptions and Waivers
- Payment of Tuition
- Adds/Drops and Withdrawals

Verifying these items allows the State Auditor's Office to attest to the accuracy of reported contact hours. Test work is concentrated on the base period semesters used